

**REPORT OF THE AUDIT OF THE  
WEBSTER COUNTY  
SHERIFF'S SETTLEMENT - 2005 TAXES**

**April 24, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WEBSTER COUNTY**  
**SHERIFF'S SETTLEMENT - 2005 TAXES**

**April 24, 2006**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Webster County Sheriff as of April 24, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$4,114,848 for the districts for 2005 taxes, retaining commissions of \$161,769 to operate the Sheriff's office. The Sheriff distributed taxes of \$3,953,404 to the districts for 2005 Taxes. Taxes of \$352 are due to the districts from the Sheriff and refunds of \$677 are due to the Sheriff from the taxing districts.

**Report Comment:**

The Sheriff's Office Lacks Adequate Segregation of Duties

**Deposits:**

On November 9, 2005, \$375,562 of the Sheriff's deposits were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured    \$375,562



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Richard M. Townsend, Webster County Judge/Executive

Honorable Frankie Springfield, Webster County Sheriff

Members of the Webster County Fiscal Court

Independent Auditor's Report

We have audited the Webster County Sheriff's Settlement - 2005 Taxes as of April 24, 2006. This tax settlement is the responsibility of the Webster County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Webster County Sheriff's taxes charged, credited, and paid as of April 24, 2006, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Richard M. Townsend, Webster County Judge/Executive

Honorable Frankie Springfield, Webster County Sheriff

Members of the Webster County Fiscal Court

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen

Auditor of Public Accounts

August 31, 2007



WEBSTER COUNTY  
FRANKIE SPRINGFIELD, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES

April 24, 2006

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 568,700	\$ 644,014	\$ 1,397,813	\$ 408,074
Tangible Personal Property	100,749	131,853	251,393	247,029
Intangible Personal Property				20,509
Fire Protection	1,256			
Increases Through Exonerations	404	476	1,010	289
Franchise Taxes	101,350	118,472	251,292	
Ditch Taxes		10,957		
Additional Billings	517	566	1,273	370
Oil and Gas Property Taxes	7,500	8,852	18,771	5,369
Bank Franchise	46,621			
Penalties	5,064	5,610	12,285	3,584
Adjusted to Sheriff's Receipt	<u>2</u>	<u>14</u>	<u>1</u>	<u>24</u>
Gross Chargeable to Sheriff	<u>832,163</u>	<u>920,814</u>	<u>1,933,838</u>	<u>685,248</u>
<u>Credits</u>				
Exonerations	1,250	1,342	3,023	911
Discounts	9,915	10,995	23,091	10,179
Delinquents:				
Real Estate	25,706	29,327	61,978	18,396
Tangible Personal Property	7,976	10,591	19,956	19,454
Intangible Personal Property				49
Bank Franchise	1,298			
Franchise Taxes	205	258	514	
Minimum Bills	<u>160</u>	<u>155</u>	<u>358</u>	<u>128</u>
Total Credits	<u>46,510</u>	<u>52,668</u>	<u>108,920</u>	<u>49,117</u>
Taxes Collected	\$ 785,653	\$ 868,146	\$ 1,824,918	\$ 636,131
Less: Commissions *	<u>33,678</u>	<u>36,896</u>	<u>63,872</u>	<u>27,323</u>
Taxes Due	751,975	831,250	1,761,046	608,808
Taxes Paid	<u>752,355</u>	<u>831,547</u>	<u>1,760,711</u>	<u>608,791</u>
Due Districts or		**		
(Refunds Due Sheriff)				
as of Completion of Fieldwork	<u>\$ (380)</u>	<u>\$ (297)</u>	<u>\$ 335</u>	<u>\$ 17</u>

\* and \*\* See Next Page.

The accompanying notes are an integral part of this financial statement.

WEBSTER COUNTY  
FRANKIE SPRINGFIELD, SHERIFF  
SHERIFF'S SETTLEMENT - 2005 TAXES  
April 24, 2006  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	2,279,930
3.5% on	\$	1,824,918

\*\* Special Taxing Districts:

Ambulance District	\$	(41)
Extension District		(30)
Health District		(12)
Library District		(212)
Drainage Commission		<u>(2)</u>
(Refunds Due Sheriff)	\$	<u><u>(297)</u></u>

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT

April 24, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

WEBSTER COUNTY  
NOTES TO FINANCIAL STATEMENT  
April 24, 2006

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 24, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, on November 9, 2005, \$375,562 of the Sheriff's deposits were exposed to custodial credit as follows:

- Uncollateralized and Uninsured    \$375,562

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 29, 2005 through April 24, 2006.

Note 4. Interest Income

The Webster County Sheriff earned \$2,892 as interest income on 2005 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Webster County Sheriff collected \$18,707 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Webster County Sheriff collected \$4,380 of advertising costs and \$1,095 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Richard M. Townsend, Webster County Judge/Executive  
Honorable Frankie Springfield, Webster County Sheriff  
Members of the Webster County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Webster County Sheriff's Settlement - 2005 Taxes as of April 24, 2006, and have issued our report thereon dated August 31, 2007. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Webster County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Office Lacks Adequate Segregation of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Webster County Sheriff's Settlement - 2005 Taxes as of April 24, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Webster County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

August 31, 2007



COMMENT AND RECOMMENDATION



WEBSTER COUNTY  
FRANKIE SPRINGFIELD, SHERIFF  
COMMENT AND RECOMMENDATION

As of April 24, 2006

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the elected official's control, such as functions prescribed by statutes and regulations and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described above is a material weakness. We recommend the Sheriff initiate compensating controls, such as those noted below, to mitigate the material weakness.

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. The Sheriff should document this by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should perform surprise cash counts.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff should document this by initialing the bank reconciliation and the balance in the checkbook.
- The Sheriff should compare all checks to the taxing districts to the monthly reports and check register.

*Sheriff's Response: Sheriff has a policy and procedure manual beginning for the 2006 tax year.*

